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FISCAL IMPACT STATEMENT

LS 6366

BILL NUMBER: HB 1234

NOTE PREPARED: Feb 2, 2014

BILL AMENDED: Jan 30, 2014

SUBJECT: Property Tax Matters.

FIRST AUTHOR: Rep. Thompson

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) *Energy Systems*: The bill provides that for residential real property or a mobile home that is not assessed as real property and that is equipped with a solar, wind, geothermal, or hydroelectric heating or cooling system, the assessed value of the property is not to be increased if the improvement replaces a traditional heating or cooling system.

Tax Statements: The bill requires county treasurers to mail property tax statements at least 15 business days, instead of 15 calendar days, before the first payment is due.

PTABOA: This bill provides that an employee of an assessor's office or an appraiser may not serve as a voting member of the property tax assessment board of appeals (PTABOA) in the county where the individual is employed. It allows a county fiscal body to waive certification requirements for certain members of the PTABOA appointed by the fiscal body.

Standards of Conduct: This bill establishes assessor, appraiser, and tax representative standards of conduct. It also establishes a certification appeal board to conduct appeals brought by assessors and employees of assessors whose certifications are revoked by the Department of Local Government Finance (DLGF).

Hendricks County Emergency Communications: The bill authorizes the Hendricks County Commissioners to adopt an ordinance establishing an emergency communications services system for a three year pilot program. The bill provides that the Hendricks County Council may certify a special assessment on property in the county for deposit in the district's emergency communications services fund and it specifies the purposes for which money in the fund may be spent.

The bill also provides that Hendricks County is exempt from the fees imposed under the statewide 911 system while the pilot program is in effect. It specifies that funds that remain in a fund or account established for the deposit of distributions received under the statewide 911 system are transferred to the emergency communications services funds.

The bill makes conforming amendments.

Effective Date: July 1, 2014; January 1, 2015.

Explanation of State Expenditures: (Revised) *Standards of Conduct*: The DLGF could be required to hold hearings regarding alleged violations of the standards. The number would probably be minimal and are within the agency's routine administrative functions. The DLGF should be able to implement this provision with no additional appropriations, assuming near customary agency staffing and resource levels.

The bill would also create the seven member Certification Appeal Board for the sole purpose of hearing appeals of DLGF actions regarding violation of the standards. Two members would be DLGF employees and the others would be not be state employees. Board members would be entitled to salary per diem, travel expenses, and other actual expenses. The amount of additional state expenses for Board members would depend on the number of Board meetings each year.

(Revised) *Hendricks County Emergency Communications*: Before October 1, 2016, the county legislative body would report to the Regulatory Flexibility Committee on the ability of the county to independently fund emergency communications in the county. The Committee would consider:

- 1) Whether the pilot program should be extended for additional years in Hendricks County; and
- 2) Whether the pilot program should be extended to other counties.

The Regulatory Flexibility Committee would submit findings and recommendations to the Legislative Council before November 1, 2016.

Explanation of State Revenues: (Revised) *Hendricks County Emergency Communications*: Under this provision, revenue to the Statewide 911 Board would be reduced by an indeterminable amount during the pilot project.

Under current law, the Statewide 911 Board collects monthly user fees from providers based on land lines, contract wireless accounts, and wireless prepaid sales. These fees are placed in the Statewide 911 Fund and are used to make distributions to county PSAPs and for administrative expenses of the Board.

Under this provision, fees would not be collected from land lines and contract wireless accounts in Hendricks County for the duration of the pilot program. The fees are currently collected from the providers on a statewide basis. Individual county collections data are not available.

The bill would allow the Statewide 911 Board to impose charges on Hendricks County for a share of the Board's administration and operations expenses.

Explanation of Local Expenditures: (Revised) *PTABOA*: The bill specifies that after June 30, 2014, an employee of the assessor or an appraiser that has contracts with the county may not serve as a voting member of the PTABOA.

Under current law, a county PTABOA may have either three or five members. In a five member PTABOA, two members are appointed by the county fiscal body and two are appointed by the county commissioners. The county assessor is the fifth member. The commissioners may waive the requirement that at least one of their appointees be a Level 2 or Level 3 assessor-appraiser.

In a three member PTABOA, one member each is appointed by the county fiscal body and the county commissioners. The county assessor is the third member. The commissioners may waive the requirement that at least one of their appointees be a Level 2 or Level 3 assessor-appraiser.

Under this provision, the county fiscal body would also be permitted to waive the requirement that at least one of its appointees be a Level 2 or Level 3 assessor-appraiser.

Standards of Conduct: Assessors, appraisers, and tax representatives who violate the proposed standards of conduct would be subject to certification revocation for up to three years by the DLGF. If a contractor's certification is revoked, the contract would become void. The county would have to find another qualified contractor or take the work in-house.

Explanation of Local Revenues: *Energy Systems - Assessments:* Under this provision, an assessor would be prohibited from changing the assessed value of residential property if an existing heating or cooling system is replaced with a solar, wind, geothermal, or hydroelectric heating or cooling system. If the new system is worth more than the old system, then this provision would result in a loss of new assessed value.

Energy Systems - Deductions: This provision would shift part of about \$2 M in net property tax to owners of energy systems from other taxpayers. The other part of the \$2 M represents a possible reduction in circuit breaker losses for some local civil units and school corporations.

For residential property, this provision would limit the deduction for solar, wind, geothermal, and hydroelectric devices to 50% of the system's cost. Currently, all property owners may deduct 100% of the system cost from the property's AV.

For taxes payable in 2013 (2012 in LaPorte County), there were 2,080 residential deductions for solar and wind systems, totaling \$32.1 M. There were also 10,728 residential deductions for hydroelectric and geothermal systems, totaling \$146.9 M. The total residential deduction for all energy systems was \$179.1 M, or 72% of the total for energy systems deductions claimed by the owners of both residential and nonresidential property.

Under the bill, deductions would decline by \$89.5 M and the tax base would rise by that amount. At an average residential tax rate, this AV equates to about \$2 M in net tax.

Tax Statements: Beginning in 2015, this provision would reduce the amount of time that county treasurers have to prepare tax bills by about one week. Taxpayers would gain that extra week's notice before the first installment of taxes is due.

Property taxes are due by May 10 and November 10 each year. Currently, tax bills must be mailed at least 15 calendar days before the May 10 due date.

In 2015, May 10 falls on a Sunday, so taxes will first be due on Monday, May 11. Under current law, the bills must be mailed by April 26, a Sunday. So it is assumed that the latest day they can be mailed is Saturday,

April 25. Under this bill, however, the bills would have to be mailed by Monday, April 20, or five days before the current mailing deadline.

(Revised) *Hendricks County Emergency Communications*: Under this provision, as a pilot county, Hendricks County would propose a tiered fee system based on: (A) a flat per parcel fee; (B) a variable fee based on zoning and parcel size; and (C) the number of improvements on a parcel. Revenue estimates would depend on the fee schedule adopted by the county.

Revenue from the fee could be used to pay for equipment and related costs, communications charges, personnel expenses, an emergency telephone notification system, actual provider costs, escrow account deposits, and other administrative costs. In addition, money in the fund could be used to pay charges imposed by the Statewide 911 Board for administration and operations. The charges would be based on Hendricks County's share of Indiana population.

The county council would determine an annual budget. Based on the budget, The county council would recommend a parcel fee schedule to the county commissioners who would then adopt a fee schedule. The fees would be collected as a special assessment on property tax bills.

Under current law, Hendricks County will receive \$1.75 M in FY 2014 from the Statewide 911 Board. During the pilot program, Hendricks County would not receive distributions from the Board.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors; County auditors; County treasurers; Property Tax Boards of Appeal; Hendricks County.

Information Sources: LSA property tax database; Barry Ritter, Executive Director, Statewide 911 Board, 317-234-2507.

Fiscal Analyst: Bob Sigalow, 317-232-9859.